

# **AUDIT ADMINISTRATION AND AUDIT REPORTING REQUIREMENTS**

## **SECTION 200**

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Education Code Section 8448 requires an annual single independent financial and compliance audit of organizations that contract with the state under a direct service contract. A “direct service contract” means any contract with any public or private entity for child care and development programs, resource and referral programs, and programs contracting to provide support services. Audits carried out pursuant to this statute shall be audits of the contractor rather than audits of individual contracts or programs. In the case of any contractor that receives less than twenty-five thousand dollars per year from any state agency, the audit required by this section shall be conducted biennially, unless there is evidence of fraud or other violation of state law in connection with the direct service contract. The audit shall be completed by the 15<sup>th</sup> day of the fifth month following the end of the contractor’s fiscal year.

The Child Development Division, the Nutrition Services Division, and the Adult Education Unit of the California Department of Education disburse public funds to private not-for-profit, private for-profit and public agencies to provide services for children and adults. Staff from these Divisions is responsible for administration of the programs.

The External Audits and Investigations Unit in the Audits and Investigations Division of the California Department of Education is the cognizant oversight authority mandated by the California State Legislature for agencies receiving state and federal funds from the California Department of Education. Staff from this Division is responsible for reviewing audits of agencies that provide services under contract with the California Department of Education and for conducting independent audits and investigations.

Agencies contracting with a state agency to administer public monies have a responsibility to render a full accounting of their financial activities. This accounting should identify not only the objectives for which the public resources have been applied but also the manner and effect of their application. Therefore, agencies utilizing public funds must have adequate accounting systems and must arrange for an annual financial audit. Child development and adult basic education programs administered by county welfare departments and community colleges must adhere to the requirements of this audit guide.

## **ADMINISTRATION**

### **AUDITOR QUALIFICATIONS**

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1. **Child Development Programs (CDP), Child and Adult Care Food Program (CACFP) and Adult Basic Education (ABE) Programs**

Audits of Child Development, Child and Adult Care Food Program and Adult Basic Education programs administered by private, private nonprofit, and for-profit agencies and those administered by four-year universities, colleges, cities, and counties must be performed by one of the following:

- a. Certified Public Accountant (CPA) licensed by the California State Board of Accountancy.
- b. Public accountants licensed on or before December 31, 1970 by the California State Board of Accountancy.

## **AUDITOR QUALIFICATIONS**

**210**

### Child Development Programs (CDP) and Adult Basic Education Programs (ABE)

- c. Internal audit units which are not subject to the direction or authority of the manager responsible for the Child Development and Adult Education programs; or
- d. California Department of Education's Audits and Investigations Division, State Auditor General, State Controller, and other comparable internal audit groups who are independent of the auditee.

## **2. Single Audits**

Financial and compliance audits of Governmental entities and nonprofit agencies conducted by an independent auditor in accordance with GAS shall follow the auditor selection guidelines established by OMB Circular A-133.

Audits must be performed by one of the following:

- a. CPA licensed by the California State Board of Accountancy.
- b. Public accountants licensed on or before December 31, 1970 by the California State Board of Accountancy.
- c. California Department of Education's Audits and Investigations Division; or
- c. Other comparable federal, state, or local audit groups independent of the auditee.

## **INDEPENDENCE**

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In all matters relating to the audit work, the audit organization and the individual auditors (whether government or public) must be free from personal and external impairments to independence, be organizationally independent, and must maintain independence in both attitude and appearance.

## **AUDITING STANDARDS**

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Each audit shall be performed in accordance with GAAS, GAS, and this audit guide. When applicable, the audits must also be performed in accordance with the requirements established by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

## **ATTESTATION STANDARDS**

**213**

When required, audits shall be performed in accordance with AICPA's *Codification of Attestation Standards* as assurance provided by an "examination" procedure to a presentation of assertions.

GAO issued two additional general standards, concerning continuing education and quality control reviews requirements for audit organizations that perform audits of government entities.

1. Continuing Education

To meet this standard, the audit organization should have a program to ensure that its staff maintains professional proficiency through continuing education and training. To satisfy this requirement, auditors responsible for planning, directing, conducting, and controlling, or reporting on governmental audits should complete every two (2) years, at least 80 hours of continuing education and training which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any one-year of the two-year period. Individuals responsible for planning, directing, and conducting substantial portions of field work, or reporting on the government audit should complete at least 24 of the 80 hours of continuing education and training in subjects directly related to the government environment and government auditing.

To fully implement the continuing education and training requirements, we recommend that auditors also obtain the *Interpretation of Continuing Education and Training Requirements* issued by GAO in April 1991.

2. Quality Control

Audit organizations conducting government audits should have an appropriate internal quality control review system in place and participate in an external quality control review program. Organizations conducting government audits should have an external quality control at least once every three years by an organization not affiliated with the organization being reviewed. The external quality control review should determine that: (1) the organization's internal quality control system is in place and operating effectively and (2) established policies and procedures and applicable auditing standards are being followed in its audit work, including its government audits. Audit organizations should make the report on external quality control reviews available to auditors using their work and to appropriate oversight bodies. It is recommended that the report be made available to the public.

External quality control review programs, such as those conducted through or by the AICPA, National State Auditors Association, Intergovernmental Audit Forums, GAO, and the Institute of Internal Auditors, would be acceptable.

In addition to the GAO general standards, the California State Board of Accountancy has CPE requirements.

Every Two (2) Years:

All active licensees responsible for auditing CDE agencies should complete at least 80 hours of continuing education and training which contributes to the auditor's professional proficiency during their two-year license renewal period. Auditors responsible for planning, directing, and conducting substantial portions of field work, or reporting on the financial statement audit should complete at least 24 of the 80 hours of continuing education and training in accounting and auditing courses.

- References: 1). CA Accountancy Act (1997), Business and Profession Code, Division 3, Chapter 1, Articles 1 through 9  
2). CA Code of Regulations, Title 16, Division 1, Article 12

Every Six (6) Years:

Effective January 1, 1999, all active licensees should have a minimum of eight (8) hours of CPE in Professional Conduct in accordance with the following schedule:

<u>Last Two Digits of License Number Ending In:</u>	<u>Renewal Period:</u>
01 - 33	1999 - 00
34 - 66	2000 - 01
67 - 00	2001 - 03

Reference: CA Accountancy Act 1997, Section 87-7, page 119.

Internet Access: <http://www.dca.ca.gov/cba.html>

**TECHNICAL ASSISTANCE**

**216**

To the best of its available expertise and resources, the Audits and Investigations Division (AID) shall provide auditors and agencies with technical assistance as part of its oversight follow-up mission. General auditing and reporting questions should be directed to the attention of AID audit staff by correspondence, telephone, fax and through its web page.

AID shall select agencies that require technical assistance based on a needs criteria, such as the following:

1. Recurring audit findings;
2. Recurring financial problems;
3. Going-Concern problem; and
4. Recurring unacceptable audit reports.

**RETENTION OF WORKING PAPERS**

Working papers and reports shall be retained for a minimum of three (3) years unless the auditor is notified in writing by the Audits and Investigations Division of the need to extend the retention period.

**QUALITY CONTROL REVIEWS**

California Department of Education reserves the right, as USDA's designee, to perform a review of audit working papers covering audits of Child and Adult Care Food Program and School Nutrition Program programs. 7 CFR Part 3015.75 (b) states "Workpapers and reports shall be retained for a minimum of three years from the date of the audit report unless the auditor is notified in writing by OIG (Office of Inspector General) to extend the retention period. Audit workpapers shall be made available upon request to OIG, its designee, or the General Accounting Office."

These quality control reviews of audit working papers will determine whether audits have been performed in conformity with the audit standards contained in the audit guide and the standards contained in the Exposure Draft *Uniform Initial Review Guide for A-133 Audits* and *Uniform Quality Control Review Guide for A-133 Audits* issued by the President's Council on Integrity and Efficiency issued in February 1999.

California Department of Education also reserves the right to perform a review of audit working papers covering audits of Child Development Program. Education Code Section 8448 (i) (l) states: "Nothing in this article limits the authority of the State Department of Education to make audits of direct service contracts. However, if independent audits arranged for by direct service contractors meet generally accepted auditing standards, the State Department of Education shall rely on those audits and any additional audit work shall build upon the work already done."

**RETENTION OF RECORDS BY AGENCY**

Title 2, Section 33421, Records, states that records, including those of subcontractors which support claims for federal and state funds, must be retained for a period of five (5) years, except for Child Nutrition Program records, subsequent to the completion date of the contract for possible future audits by federal and/or state auditors. Such records shall include income and expenditure reports, enrollment and attendance, family eligibility, cost allocation plan, and any other documentation to support prior claims.

Historical documents supporting verification of California Department of Education approval of cost studies, cost allocation plans, sub-contracts and management agreements should be kept permanently. Child Nutrition Program records shall be retained in accordance with regulations adopted by the USDA relating to the retention of those records. However, in cases where an audit has been requested by a state agency or USDA, which remains unresolved, the records shall be retained until the date the audit is resolved.

## **CONTRACTS FOR AUDIT SERVICES**

**219**

Contracts for audit services, whether obtained by the competitive bid process or negotiation, must be in writing and obtained by using applicable procurement standards every five (5) years. All audit contracts must contain a statement to the effect that auditor(s) shall make available, on request by California Department of Education, copies of all audit working papers pertaining to the audit.

## **CHILD AND ADULT CARE FOOD PROGRAM AUDIT COST REIMBURSEMENT**

**220**

Reimbursement for a portion of the costs associated with a sponsor's Child and Adult Care Food Program audit may be available from California Department of Education. The amount of audit cost subject to reimbursement is dependent on the amount of funds available to California Department of Education.

Reimbursement will be allowable only if the audit submitted tested Child and Adult Care Food Program funds in accordance with OMB Circular A-133 Compliance Supplement for Audits of States, Local Governments and Non-Profit Organizations, Section 4-10.588, and presents schedules listed in the Table of Contents, Appendix A, Findings, Questioned Costs and Recommendations explaining adjustments to meals or enrollment (if any).

Reimbursement for audit costs will require the auditee to submit the auditor's itemized invoice listing the cost for each fund audited and mail to:

California Department of Education,  
Audits & Investigations Division,  
560 J Street, Suite 290  
Sacramento, CA 95814;  
Attn: William Wong.

Reimbursement for an audit will not be made until California Department of Education's Audits and Investigations Division certifies to the Director of Nutrition Services Division that the audit complies with applicable federal and California Department of Education requirements. In addition, there will be no reimbursement for audit costs until all outstanding child nutrition accounts receivable to California Department of Education have been paid.

Reimbursement shall not exceed that portion of the audit's cost equal to Child and Adult Care Food Program's portion of total federal funds.

Example:

Sponsor's Total Federal Funds	\$330,000
Child and Adult Care Food Program Portion	\$110,000 (1/3 of total of federal funds)
Cost of Audit	\$ 3,000
Maximum Reimbursement	\$ 1,000 (1/3 of cost of audit)

## **CHILD AND ADULT CARE FOOD PROGRAM AUDIT COST REIMBURSEMENT**

**220**

### **AUDIT COST EXEMPTION**

The cost of single and program-specific audits is no longer allowable if the auditee is exempted from the OMB Circular A-133 audit requirement under 7 CFR 3052.200 (d). In addition, non-federal entities (i.e., Child Development Division contractors) that expended less than \$300,000 in a fiscal year have no Federal audit requirement and, therefore, may not charge the cost of any audit to its Federal awards and claim reimbursement for Child and Adult Care Food Program audit costs. However, audits of non-federally funded state programs, which are required by the state are covered by the state program.

## **SCHOOL NUTRITION PROGRAM AND ADULT EDUCATION UNIT AUDIT COST REIMBURSEMENT**

**221**

Federal regulations do not allow audit cost reimbursement to School Nutrition Program and Adult Education Unit sponsors in excess of normal program reimbursement. However, sponsors would normally not be charged for audits initiated and performed by California Department of Education's Audits and Investigations Division auditors or other auditors employed by state or local governments.

## **AUDIT REPORT SUBMISSION DEADLINES**

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Note: Agencies must continue to submit the Annual Audit Status Certification (AASC) form to the California Department of Education, Audits and Investigations Division.

### **A. Contractor Audit - State and Federal Child Development Programs**

The auditor should obtain permission of the auditee to mail two (2) copies of the audit report to California Department of Education. The auditor must inform California Department of Education if the agency refuses to allow the auditor to send the audit reports directly to California Department of Education.

**Audit reports of the previous fiscal year must be filed by November 15, if the contractor has a June 30 fiscal year end, or by the 15<sup>th</sup> day of the fifth month following the end of the contractor's fiscal year, if the contractor has other than a June 30 fiscal year end.**

**Child Development Division funded agencies who have also Child Nutrition Programs and/or Adult Basic Education programs must submit a contractor's audit on both programs by November 15, if the contractor has a June 30 fiscal year end or by the 15<sup>th</sup> day of the fifth month following the end of the contractor's fiscal year, if the contractor has other than a June 30 fiscal year end.**

**A. Contractor Audit - State and Federal Child Development Programs**

Agencies that are on conditional status may be required to submit their audit reports at an earlier date. Two (2) copies of the audit report are to be mailed to:

California Department of Education  
Audits and Investigations Division  
560 J Street, Suite 290  
Sacramento, CA 95814  
Attention: Joseph R. Waltz

**AID will not accept a pro forma or draft audit report submitted as a substitute for the contractor audit report.**

**CHILD DEVELOPMENT PROGRAM REPORTING DATES**

For agencies with fiscal year ends of June 30, these are the reporting dates:

October 15	Conditional Contract audits with an early audit requirement are due.
November 14	All audit extension requests are due
<b>November 15</b>	All audits are due.
December 1	Audit delinquency report is sent to the Fiscal Administrative Services Division (FASD).
December 15	Audits granted extensions are due.

For agencies with fiscal year ends other than June 30, these are the reporting dates:

The 14 <sup>th</sup> day of the fifth month after the contractor's fiscal year end	All audit extensions are due.
The 15 <sup>th</sup> day of the fifth month after the contractor's fiscal year end	All audits are due.
The 1 <sup>st</sup> day of the sixth month after the contractor's fiscal year end Division (FASD)	Audit delinquency report is sent to Fiscal Administrative Services
The 15 <sup>th</sup> day of the sixth month after the contractor's fiscal year end	Audits granted extensions are due.

**B. Single Audit****1. Report Submission**

Agencies shall submit two (2) copies of the Single Audit to the California Department of Education, Audits and Investigations Division at the address given in section A above.

**AID will not accept pro forma or draft audit reports submitted as a substitute for the final single audit report.**

**2. Due Dates**

For all Child and Adult Care Food, School Nutrition, Summer Food Service for Children, and Food Distribution Commodity programs:

- a. For fiscal years beginning on or before June 30, 1998, submit the Data Collection Form and Single Audit either 30 days after receipt of the Auditor's Report, or thirteen (13) months after the end of the audit period, whichever is earlier.
- b. For fiscal years beginning on or after July 1, 1998, submit the Data Collection Form and Single Audit either 30 days after receipt of the Auditor's Report or nine (9) months after the end of the audit period, whichever is earlier.
- c. For Adult Basic Education (ABE) agencies, and those which also sub-contract out, shall submit an annual Single Audit within six (6) months after the end of the audited period in accordance with the program's General Assurances. The Mid-Year Activity and Expenditure Report is due to the Adult Education Unit program staff on December 15 and forms can be accessed at the website:

**www.otan.dni.us**

The types of ABE agencies who submit applications for funding and Single Audits consist of the following:

- School Districts;
- Community Colleges;
- Libraries;
- Charitable Trusts; and
- Private Non-Profit agencies

**B. Single Audit****d. County Governments:**

County governments shall submit an annual Single Audit within thirty (30) days after the completion of the audit, but no later than one year after the end of the audit period unless a longer period is agreed to by the cognizant agency (i.e., the State Controller's Office). County Governments should contact State Controller's Office for the number of copies to be submitted. The annual Single Audit shall be mailed to:

State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874

**e. State, Local Governments, and Indian Tribal Councils**

These institutions shall submit an annual Single Audit within thirty (30) days after the completion of the audit, but no later than one year after the end of the audit period unless a longer period is agreed to by CDE's Audits and Investigations Division.

Two (2) copies of the annual single audit shall be submitted to the address indicated in section A above.

**f. School Districts**

School Districts shall submit an annual Single Audit by December 15 of each year in accordance with Education Code Section 41020. The annual Single Audit shall be mailed to:

State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874

**g. Sub-Contracts**

Child Development agencies that contract with School Districts, local governments and other facilitators for providing them with child care services executed through sub-contract or management agreement, are required to submit two copies of the audit report on the sub-contracts to them by November 15, unless a request for extension was granted.

**Contractor Audit - State and Federal Child Development Programs****C. For-Profit**

For-profit agencies are not subject to Single Audit submission deadline requirements in B above unless they are determined to be a "subrecipient" of federal awards as referred to in **SECTION 270.3**. A non-subrecipient type of for-profit agency is subject to the submission deadlines in **SECTION 230A**, Contractor Audits.

**D. Program-Specific**

If the single federal award has expenditures of \$300,000 or more, the program-specific audit is submitted in accordance with the Single Audit requirements in **SECTION 230B** above.

**REVIEW OF AUDIT REPORTS BY CDE**

California Department of Education's Audits and Investigations Division (AID) has the responsibility of reviewing audit reports to determine whether reports are in conformance with the reporting provisions of this Audit Guide. The review criteria used by AID are contained in an audit report review questionnaire. AID will provide a copy of this questionnaire to interested parties upon request. An example of this questionnaire is located in **Appendix D**.

During the review of an audit report, AID's staff may identify a variety of reporting problems. Some of these problems are material by themselves, while others are considered material only when aggregated with other problems. Reports with a limited number of minor reporting problems will be certified as acceptable reports by AID. Reports with major reporting problems or a significant number of minor problems will not be certified as acceptable audit reports by AID (It should be noted that it is possible for the Child Development Program portion of an audit to be deemed acceptable while the Child and Adult Care Food Program or School Nutrition Program portion is deemed unacceptable).

Title 5, Section 18072, states that the audit, after review and any revision by California Department of Education's Audits and Investigations Division, shall be the final accounting of any amount payable to or receivable from the agency pursuant to a child development contract.

At the completion of the review of each audit report, AID mails written notification of the review results to the executive director of the agency, Board of Directors of the agency, and the auditor. However, in cases where the audit report is certified and contains minor reporting problems, only the CPA will be notified of reporting problems identified by AID. Reports not certified by AID because of major reporting problems or a significant number of minor problems will be communicated to the executive director of the agency, Board of Directors of the agency, and the CPA. (For reports not certified, this notification includes a brief description of each deficiency to both the agency and the auditor.)

## **MODIFICATIONS OF ISSUED REPORTS**

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In some instances, AID staff may require additional fiscal information about the agency from the independent auditor or require a revision or modification of the audit report after its original issuance in order to close the audit report, or for agency staff to support a change in the audit report. In these cases, AID staff will contact the agency director and/or auditor by telephone or written letter requiring revisions or modifications to the audit report. In response, the agency must submit the revisions or modifications in the following manner:

- Revisions must be submitted by and attested to by the independent auditor to be considered acceptable.
- Revisions must be submitted to AID within 30 days after receipt of AID's letter to the agency director and auditor.
- Revisions may be submitted via regular mail delivery or fax transmission to the attention of the assigned AID auditor.

If an agency fails to meet these requirements, AID staff will refer the agency to the Child Development Case Conference Committee, which may result in suspension of the agency's funding.

Copies of the modified or revised audit report must also be sent to all holders of the original report. Additional comments or explanations may be added to filed reports as inserts or supplements; however, such additions must comply with the above requirements to be acceptable and also be sent to all holders of the report.

## **DELINQUENT SCHOOL NUTRITION PROGRAM AUDIT REPORTS**

**242**

Audits are due as stated in either **SECTION 230**, A or B2 and no extensions will be granted. If a timely and acceptable School Nutrition Program audit is not submitted to California Department of Education as required, the sponsor's reimbursement claims may be suspended beginning with the first month of delinquency (usually July or January). If an audit is outstanding for thirty (30) days or more after the due date, payments will be canceled. Thus, the participant will lose reimbursement for one or more months. If the audit is still outstanding for more than ninety (90) days after the deadline, the participant may be terminated from all Child Nutrition Programs and will lose all reimbursement beginning with the first month of cancellation. However, before any termination occurs, the participant will receive at least two written notices regarding delinquency.

## **REINSTATEMENT OF SCHOOL NUTRITION PROGRAMS AFTER TERMINATION**

**243**

A School Nutrition Program participant that has been terminated from any Child Nutrition Program (CNP) for failure to meet the audit requirement must submit an acceptable audit before being reinstated. The audit must cover the program year that was not previously audited as required and may also include the following program year. Additional paperwork will be required for any participant that reinstates after termination.

Audits are due as stated in **SECTION 230**, A and Title 5, Section 18073, states that the audit shall be considered delinquent and all apportionment shall be withheld if an audit is not received on or before the due date and an extension has not been granted in accordance with Title 5, Section 18056.

**ONE-TIME ONLY EXTENSIONS****245**

Except for Child Development Program auditees on conditional status, Title 5, Section 18073 allows California Department of Education's Audits and Investigations Division to grant an auditee a one-time only, thirty (30) calendar day extension of the due date to December 15 provided the inability of the auditee to submit the audit by the due date was beyond the fault and control of the auditee. Requests for extensions shall be in writing by the Agency Director and either mailed or faxed by 4:00 PM on November 14 to:

California Department of Education  
Audits and Investigations Division  
560 J Street, Suite 270  
Sacramento, CA 95814  
Attention: Joseph R. Waltz  
Fax: (916) 323-5279

Agencies with a fiscal year end other than June 30, must request an extension by 4:00 PM on the 14<sup>th</sup> day of the fifth month after the contractor fiscal year end.

Requests for extensions postmarked or faxed after this date and time will not be considered or granted.

**CHILD DEVELOPMENT PROGRAM CONTRACT REVIEWS****250**

Title 5, Section 18303 states that contract performance shall be reviewed at least annually by Child Development Division who shall determine by **April 1** of each year whether to offer continued funding on a clear contract, continued funding on a conditional basis or to make no offer of continued funding.

When reviewing single audits, AID staff may make referrals to the Child Development Case Conference Committee at any time for serious, substantial, or recurring financial and/or program non-compliance, internal control weaknesses, or fraud or misuse of state funds. Typically, AID staff will refer an agency to the Committee for the following reasons:

- Late or non-submission of the annual single audit by the required due date.
- Failure to submit requested additional audited fiscal or program information to AID staff within the 30-day timeline to promptly close the annual audit report.
- Serious or dire financial difficulties, including but not limited to, going-concern doubts, negative operating balance, negative fund balances, insufficient liquid assets to meet current debts or amount due CDE, borrowing against child development funds to pay non-child development program expenditures, or substantial debts or liens against agency assets.

- Serious, recurring, or uncorrected management findings or chronic fiscal/programmatic non-compliance.
- Misappropriation or misuse of State or federal funds, fraud, or conspiracy to defraud.

Agencies who are referred to the Child Development Case Conference might be contacted directly by them for possible action or further requirements.

The duration of Conditional Contract Status section has been changed as follows:

... A contractor with a repayment plan shall remain on conditional contract status and not receive any apportionments until full repayment is made.

**QUESTIONS OR REQUESTS FOR INTERPRETATION OF CONTRACT OR ANNUAL AUDIT RESULTS****255**

If at any time, agency staff or the agency's auditor has questions about AID's interpretation of contract funding terms and conditions, regulations, or Education Code requirements, the agency director or auditor may contact the AID auditor assigned to review the audit, or contact the AID manager or office directly at (916) 445-6776. Agency staff or the agency auditor may contact AID staff via telephone or in writing or by fax with questions. OEA's fax number is (916) 323-5279.

AID staff will endeavor to answer any general questions to the best of our ability. Specific questions about a particular agency's audit report should be addressed to the AID auditor assigned to review the audit.

Agency directors and auditor may also e-mail AID staff from the OEA website at:  
**[www.cde.ca.gov/labbranch/Audits.html](http://www.cde.ca.gov/labbranch/Audits.html)**

**AUDIT REPORTING REQUIREMENTS****TYPES OF AUDITS****270**

[See MATRIX, Schedule B, for reporting requirements]

**Purpose:**

This matrix was designed to enable auditors' easy reference to the reporting requirements for all of the types of audit reports applicable to CDE-funded private and public agencies. A description of the types of audits that are currently available and proposed as are follows:

**1. Single (Organization-wide Audit (OWA):**

An OMB Circular A-133 audit is required of any institution expending more than \$300,000 in total

**TYPES OF AUDITS**

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**1. Single (Organization-wide Audit (OWA):**

Federal funds under more than one Federal program (Catalogue of Federal Domestic Assistance (CFDA number)). Examples include the following:

- a. CDP federal funds expended is over \$300,000.
- b. NSD federal funds expended is over \$300,000.
- c. AEU federal funds expended is over \$300,000.

For-profit organizations are exempt from the audit requirements of both OMB Circular A-133 and A-122, and *Government Auditing Standards*.

**2. Contractor (Financial Statement Audit):**

In this type of audit, the agency (contractor) is required to submit an audit of the financial statements of the entire organization providing child care services rather than audits of individual CDD contracts or programs in accordance with Section 8448(g) of the Education Code. Examples include the following:

- a. Child Development Program (CDP) funding expended is between \$25,000, and \$300,000, NSD Federal funding expended is between \$25,000 and \$300,000, and ABE Federal funding expended is between \$25,000 and \$300,000.
- b. The agency received no federal funding and received unlimited amount of state CDD funding.

County Welfare Department offices can **no** longer submit only an audit on program expenditures and funds received in a Statement of Claim of the CDP. This audit guide supercedes the *Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments*, issued by CDE for fiscal year 1989-90. This audit guide requires that the auditor's opinion shall be rendered on the financial statements and supplementary information covering the Child Development programs and on the single audit. See section 271(4).

Local government entities and higher educational agencies that receive CDD, NP and ABE funding must Report **all** contracts and grants in their audited financial statements and required supplementary information. This applies to the subcontracts of program services by the following:

1. Associations and Foundations subcontracted by Universities and Colleges;
2. Component Units subcontracted by Cities, Counties, Parks and Recreation Districts, and local educational agencies;
3. Religious affiliates subcontracted by Churches; and
4. Divisions subcontracted by public benefit non-profit organizations and for-profit organizations.

Refer to **SECTION 600** for audit and reporting guidance.

**TYPES OF AUDITS**

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2. **Contractor (Financial Statement Audit):**

Audit Requirements:

- a. The audited financial statements of the organization shall cover all of the activity of the CDP and ABE. Organizations shall maintain separate books and accounts for the CDP and ABE;
- b. Organizations that have a fiscal year end other than June 30, are required to submit a reconciliation of the financial statements of the Contractor's Audit to those of either the organization's Single Audit, Comprehensive Annual Financial Report (CAFR) or Annual Report (See **SECTION 271, Reconciliation**).

Organizations That Typically Need To Submit A Reconciliation Are:

1. Cities and Counties;
2. Universities;
3. Community Colleges;
4. Foundations;
5. Associations;
6. Churches;
7. Public benefit non-profit corporations; and
8. For-Profit organizations

Requires submission of two (2) copies of the organization's Single Audit, CAFR, Annual Report and Contractor's Audit to AID.

3. **For-Profit:**

The financial statements of a for-profit organization shall be a "hybrid" of the Balance Sheet and Income Statement approach for the for-profit portion, and Statement of Financial Position and Statement of Activities approach for the CDP, CACFP, SNP, SFSPC, and ABE portion of the organization. Supplementary information is required for the CDP, CACFP, SNP, SFSPC, and ABE portion of the organization's audit report, and includes the combined report on compliance and internal control over financial reporting based on an audit of financial statements in accordance with *Government Auditing Standards*.

Single audit requirements apply to for-profit contractors who are determined to be a "subrecipient" of federal awards in accordance with Section 210 of OMB Circular A-133 (see **SECTION 500, For-Profit Audit Requirements**). In addition to the above reporting requirements, the supplementary information shall include a report on compliance with requirements applicable to each major program and internal control over compliance in accordance with *OMB Circular A-133*. Refer to MATRIX, Schedule B for complete reporting requirements.

**3. For-Profit:****For-Profit Organizations Include:**

1. Sole Proprietorships;
2. Partnerships, including LLP's;
3. Corporations, including LLC's;
4. Associations; and
5. Public benefit corporations

**4. Program (Grant/Contract) Specific Audit:**

This type of audit applies solely for Nutrition and ABE Programs with only one federal program. Audits of only one Federal program should be conducted in accordance with Federal laws, regulations, or audit guides relative to that particular program. The Office of the Inspector General for the U.S. Department of Agriculture (OIG) has issued an Audit Program covering the CACFP and Summer Food Service Program for Children (SFSPC). Refer to **APPENDIX A.2** for example reports.

**5. No Audit is Required:**

When total federal and state funding is less than \$25,000. Section 8448(g) of the Education Code states that when a contractor receives less than \$25,000 per year from any state agency the audit required shall be conducted biennially (every two years) unless there is evidence of fraud or other violation of state law in connection with the direct service contract.

**RECONCILIATION:****271**

Organizations with a fiscal year end other than June 30, submitting a Contractor Audit, in accordance with the reporting requirements of **SECTION 270** above, should include a reconciliation of the financial statements of the entire CDP to those in either their Single Audit, CAFR or Annual Report Single Audit (See **Example of Reconciliation of Single Audit, CAFR, and Annual Report to Contractor's Audit**, Schedule C)

**Requirements:**

1. All contractors are required to submit a single independent financial and compliance audit of the organization (organization-wide Single Audit) in accordance with Education Code Section 8448 (g).
2. Agencies whose fiscal year ends in a month other than June are required to submit an organization-wide audit report and are requested to provide a detailed supplementary schedule that reconciles contract income and costs for the period covered by all Direct Service Contracts.

**RECONCILIATION:****271****Requirements:**

3. For-profit organizations and sole proprietorships must submit an organization-wide audit report that contains specific detailed financial information about the Direct Service Contract programs, which could be presented in the overall schedules, or in separate supplemental schedules which include reports on internal controls and on program compliance.
4. Local government entities and higher educational agency contractors must submit a Single Audit report of the governmental entity that contains specific detailed financial information about the Direct Service Contract programs which could be presented in the overall schedules, or in separate supplemental schedules which include reports on internal controls and on program compliance.

## **STUB PERIODS:**

**272**

A stub period is that period between a program-specific audit's June 30<sup>th</sup> award year and the single audit's fiscal year end date. A stub period could also represent that period of time between the end of the direct service contract at June 30<sup>th</sup> and the end of an agency's fiscal year end, which is other than June 30<sup>th</sup>. For more detailed information about stub periods, refer to Section 320, subpart B of this audit guide.

### **How to Report A Stub Period**

Whenever the agency's fiscal year end date is other than June 30<sup>th</sup>, a stub period will result between the June 30<sup>th</sup> date and the agency's fiscal year end date. For these stub periods, AID requires contractor agencies to provide audited financial information about the entire organization's operating fiscal year plus audited financial information for the entire period of the direct service contract. Therefore, to meet the reporting requirements, AID requires:

- a detailed supplementary schedule from the auditor that reconciles contract income and costs for the periods covered by all direct service contracts, in addition to the audited single audit.
- Agency directors are responsible for ensuring that AID receives all necessary and required audited fiscal information by the required deadlines as specified in the direct service contracts or by the 15<sup>th</sup> day of the fifth month following the end of the contractor's fiscal year.

If an agency fails to meet these requirements, AID staff will refer the agency to the Child Development Case Conference Committee, which may result in suspension of the agency's funding.

## **Schedule A**

### **EVOLUTIONARY PROCESS OF CHANGES SINCE OEA AUDIT GUIDE**

April 15, 1992	<b>Issue of OEA's Audit Guide</b>
December 15, 1994	<i>Financial Accounting Standards Board (FASB) Nos. 116 and 117</i>
January 1, 1995	<i>Government Audit Standards (Revised 1994)</i>
December 18, 1995	<i>Statement of Position (SOP) No. 92.9 (Reissued)</i>
June 1, 1996	American Institute of Certified Public Accountant's (AICPA's) <i>Accounting and Audit Guide for Not-for-Profit Organizations</i> which supercedes <i>SOP No. 78-10</i>
July 5, 1996	<i>Single Audit Act Amendments of 1996</i>
July 1996	<i>Statement of Auditing Standards (SAS) No. 74</i> which supercedes <i>SAS</i> <i>68</i> and <i>SOP No. 92-9</i> is to be revised again in the near future
January 1, 1997	<i>SAS No. 78</i> replaces <i>SAS No. 55</i>
January 1997	<i>FASB Nos. 124 Accounting for Certain Investments Held by Not-for-Profit</i> <i>Organizations</i>
May 1, 1997	<i>AICPA's Audit and Accounting Guide for Not-For-Profit Organizations</i>
June 24, 1997	<i>OMB Circular A-133, Revised</i>
June 1997	<i>Provisionary Compliance Supplement</i> for <i>OMB Circular A-133</i>
December 15, 1997	<i>SAS No. 82 Consideration of Fraud in a Financial Statement Audit</i> , effective December 15, 1997
March 17, 1998	<i>SOP 98-3 Audits of States, Local Governments, and Not-For-Profit</i> <i>Organizations receiving Federal Awards</i> , supercedes <i>SOP 92-9</i>

## **Schedule A**

### **EVOLUTIONARY PROCESS OF CHANGES SINCE OEA AUDIT GUIDE**

May 1998	<i>OMB Circular A-133 Compliance Supplement</i>
May 1998	<i>"Draft" Audit Program No. 27029-2, Food and Nutrition Service, for Audits of Child and Adult Care Food Program Institutions, supercedes audit Program No. 27029-1, dated September 19,1990, Office of Inspector General, USDA(OIG)</i>
September 1998	<i>Statement on Auditing Standards No. 87, restricting the Use of an Auditor's Report.</i>
January 1999	<i>AICPA's Codification of Attestation Standards</i>
February 1999	<i>Exposure Draft <u>Uniform Initial Review Guide for A-133 Audits</u> and <u>Uniform Quality Control Review Guide for A-133 Audits</u> issued by the President's Council on Integrity and Efficiency.</i>
February 18, 1999	<i>Audit Guide No. 27029-2, Food and Nutrition Service, for Audits of Child and Adult Care Food Program Institutions, final of OIG's "Draft" Audit Program No. 27029.</i>
March 5, 1999	<i>Audit Guide No. IG-7027.8N, Food and Nutrition Service, FNS-Summer Food Service Program for Children, supercedes Audit Program No. 27029-1, dated April 1981.</i>
May 1999	<i>Government Auditing Standards, Revised</i>
September 1999	<i>1999 Compliance Supplement, Appendix B of OMB Circular A-133</i>
January 2000	<i>Governmental Accounting Standards Board (GASB) Statement 34, <u>Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments</u></i>
January 2000	<i>GASB Statement 35, <u>Basic Financial Statements - and Management's Discussion and Analysis - for Colleges and Universities</u></i>

# MATRIX Of Audit Report Type and Reporting Requirements

					AUDIT TYPE				Appendix <Section> Reference
					SINGLE Multiple	CONTRACTOR Child	FOR-PROFIT Sole-	PROGRAM SPECIFIC NSD & ABE	
<u>Agency/Sponsor/Funding Type:</u>  Reference Section No:					Federal Awards >\$300k/ All Funding Sources	Development Programs (CDP) /All funding Sources	Proprietors : Partnership s Corporatio ns /All Funding Sources	Agencies / Single Federal Award >\$300k	
					270/300	270/600/A3	270/500	270/A2	
REPORTING REQUIREMENTS:									
<b>GENERAL INFORMATION</b>					Y	Y	Y		A1-4
<b>INDEPENDENT AUDITOR'S REPORT</b>					Y	Y	Y		A1-5-6
<b>FINANCIAL STATEMENTS:</b>									
Statement of Financial Position		<Balance Sheet>			Y	Y	<Y>		A1-7
Statement of Activities		<Income Statement>			Y	Y	<Y>		A1-8
Statement of Functional Expenses					Y (1)	Y (1)			A1-9
Statement of Cash Flows					Y	Y	Y		A1-10
Notes to Financial Statements					Y	Y	Y		A1-11-22
<b>SUPPLEMENTARY INFORMATION</b>									
Combining Statement of Financial Position		<Balance Sheet>			Y	Y	<Y>		A1-23
Combining Statement of Changes in Net Assets		<Retained Earnings/Capital>			Y	Y	<Y>		A1-24
Combining Statement of Activities		<Income Statement>			Y	Y	<Y>		A1-25
Schedule of Expenditures of Federal and State Awards					Y	Y	Y		A1-26
<b>Child Development Programs:</b>									
Combining Schedule of Renovation and Repair Expenditures					Y	Y	Y		A1-27
Combining Schedule of Equipment Expenditures					Y	Y	Y		A1-28
Combining Schedule of Administrative Costs					Y	Y	Y		A1-29
Combining Schedule of Expenditures by State Categories					Y	Y	Y		A1-30
Schedule of Child Attendance					Y	Y	Y		A1-45 - A1-49

Audited Final Reimbursement Calculation					Y	Y	Y		A1-54-A1-66
Reserve Account Calculation Summary					Y	Y	Y		A1-67
Reserve Calculation Worksheet - Center-Based General Fund Program									A1-68
Reserve Calculation Worksheet - Latchkey Program									A1-69
Reserve Calculation Worksheet - Center-Based Federal Fund Program					Y	Y	Y		A1-70
Reserve Calculation Worksheet - CalWorks 2&3 Program - Part 1									A1-71
Reserve Calculation Worksheet - CalWorks 2&3 Program - Part 2					Y	Y	Y		A1-72
<b>Child Nutrition Programs:</b>									
<b>A. Child and Adult Care Food Program:</b>									
<b>I. Centers:</b>									
General Information								Y	A2.1.1-1
Independent Accountant's Report								Y(6)	A2.1.1-2
Audited Statement of Claim								Y(6)	A2.1.1-3
Independent Accountant's Report on Supplementary Information								Y	A2.1.1-4
Summary of Claim					Y (2)	Y (2)	Y(2)	Y(6)	A2.1.1-5
Schedule of Reported, Adjusted and Allowed Meals and Enrollment and Earned Program Reimbursement					Y (2)	Y (2)	Y(2)	Y(6)	A1-31;A2.1.1-6
Schedule of Reported, Adjusted and Allowed Enrollment					Y (2)	Y (2)	Y(2)	Y	A1-32;A2.1.1-7
Schedule of Reported, Adjusted and Allowed Meals					Y (2)	Y (2)	Y(2)	Y	A1-33-34;A2.1.1-8-9
Statement of Monetary Claims and Questioned Costs								Y(6)	A2.1.1-10
Notes to the Schedules								Y	A2.1.1-11
Report on Compliance and on Internal Control Over Financial Reporting Based on an Examination of the Statement of Claim Performed in Accordance with Government Auditing and Attestation Standards								Y(6)	A2.1.1-12-13
Independent Accountant's Report on Compliance With Requirements Applicable to the Federal Program and on Internal Control Over Compliance and Financial Reporting in Accordance With the Program-Specific Audit Option Under OMB Circular A-133 and Attestation Standards Made as a Part of a Program-Specific Examination of the Statement of Claim								Y(6)	A2.1.1-14-15
Schedule of Findings, Questioned Costs and Recommendations								Y	A2.1.1-16-18
Status of Prior Year Findings								Y	A2.1.1-19
Management Letter								Y	A2.1.1-20
<b>Child Nutrition Programs (continued)::</b>									
<b>A. Child and Adult Care Food Program:</b>									
<b>II. Independent Centers:</b>									
General Information								Y	A2.1.2-1
Independent Accountant's Report								Y(6)	A2.1.3-2
Audited Statement of Claim								Y(3)(6)	A2.1.3-2
Independent Auditor's Report on Supplementary Information								Y	A2.1.3-4
Schedule of Reported, Adjusted and Allowed Meals and Enrollment and Earned Program Reimbursement					Y (2)	Y (2)	Y(2)	Y(3)(6)	A2.1.3-5,6
Schedule of Reported, Adjusted and Allowed Meals					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)	A2.1.3-7
Schedule of Reported Adjusted and Allowed Enrollment					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)	A2.1.3-8
Determination of Allowable Administrative Cost					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)	A2.1.3-9
Schedule of Allowed Funds Retained					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)	A2.1.3-10
Reconciliation of the Reported, Adjusted and Allowed Meals, Earned Reimbursements, and Statement of Claim at September 30th to the State Fiscal Year Ended June 30th								Y(3)(6)	A2.1.3-11-12
Statement of Monetary Claims and Questioned Costs								Y(6)	A2.1.2-13
Notes to the Schedules								Y	A2.1.3-14-15
Report on Compliance and on Internal Control Over Financial Reporting Based on an Examination of								Y(6)	A2.1.3-15-16

	the Statement of Claim Performed in Accordance with Government Auditing and Attestation Standards										
	Independent Accountant's Report on Compliance With Requirements Applicable to the Federal Program								Y(6)		A2.1.3-17-18
	and on Internal Control Over Compliance and Financial Reporting in Accordance With the Program-										
	Specific Audit Option Under OMB Circular A-133 and Attestation Standards Made as a Part of a										
	Program-Specific Examination of the Statement of Claim										
	Schedule of Findings, Questioned Costs and Recommendations								Y		A2.1.3-19-21
	Status of Prior Year Findings								Y		A2.1.3-22
	Management Letter								Y		A2.1.3-23
III. Day Care Homes:											
	General Information								Y		A2.1.2-1
	Independent Accountant's Report								Y(6)		A2.1.2-2
	Audited Statement of Claim								Y(3)(6)		A2.1.2-3
	Independent Auditor's Report on Supplementary Information								Y		A2.1.2-4
	Summary of Claim					Y(2)	Y(2)	Y(2)	Y(6)		A2.1.2-5
	Schedule of Reported, Adjusted and Allowed Meals, Sites and Earned Reimbursement					Y(2)	Y(2)	Y(2)	Y(6)		A1-35;A2.1.2-6
	Schedule of Reported, Adjusted, Allowed Meals and Homes					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(6)		A1-36-39;A2.1.2-7-10
	Determination of Allowable Administration Reimbursement					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)		A1-40;A2.1.2-11
	Schedule of Reported, Adjusted and Allowed Administrative Income					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)		A1-41;A2.1.2-12
	Determination of Reported, Adjusted and Allowed Cost					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)		A1-42;A2.1.2-13
	Determination of Budget Deficit (Adjustments)					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)		A1-43;A2.1.2-14
	Determination of Allowed Provider Payments					Y (2) (3)	Y (2) (3)	Y(2)(3)	Y(3)(6)		A2.2-13
	Statement of Monetary Claims and Questioned Costs								Y(6)		A2.1.2-16
	Notes to the Schedules								Y		A2.1.2-17
	Report on Compliance and on Internal Control Over Financial Reporting Based on an Examination of								Y(6)		A2.1.2-18-19
	the Statement of Claim Performed in Accordance with Government Auditing and Attestation Standards										
	Independent Accountant's Report on Compliance With Requirements Applicable to the Federal Program								Y(6)		A2.1.1-20-21
	and on Internal Control Over Compliance and Financial Reporting in Accordance With the Program-										
	Specific Audit Option Under OMB Circular A-133 and Attestation Standards Made as a Part of a										
	Program-Specific Examination of the Statement of Claim										
	Schedule of Findings, Questioned Costs and Recommendations								Y		A2.1.2-22-24
	Status of Prior Year Findings								Y		A2.1.2-25
	Management Letter								Y		A2.1.2-26
Child Nutrition Programs (continued):											
B. Commodity Distribution Program											
	General Information								Y		A2.2-1
	Independent Accountant's Report								Y		A2.2-2
	Statement of FDP Inventory								Y		A2.2-3
	Independent Accountant's report on Supplementary Information - Schedule of Federal Commodities								Y		A2.2-4
	Contributions and Expenditures										
	Schedule of Federal Commodities Contributions and Expenditures								Y		A2.2-5
	Notes to the Schedules								Y		A2.2-6
	Report on Compliance and on Internal Control Over Financial Reporting Based on an Examination								Y(6)		A2.2-7-8
	of the Statement of FDP Inventory Performed in Accordance With Government Auditing and										
	Attestation Standards										
	Independent Accountant's Report on Compliance With Requirements Applicable to the Federal Program								Y(6)		A2.2-9-10
	and on Internal Control Over Compliance and Financial Reporting in Accordance With the Program-										
	Specific Audit Option Under OMB Circular A-133 and Attestation Standards Made as a Part of a										
	Program-Specific Examination of the Statement of FDP Inventory										

	Schedule of Findings, Questioned Costs and Recommendations								Y		A2.2-11-14
	Status of Prior Year Findings								Y		A2.2-15
	Management Letter								Y		A2.2-16
C.	School Nutrition Program:										
	General Information								Y		A2.3-1
	Independent Accountant's Report								Y		A2.3-2
	Audited Statement of Claim								Y		A2.3-3
	Independent Auditor's Report on Supplementary Information								Y		A2.3-4
	Schedule of Reported, Adjusted and Allowed Meals and Earned Reimbursement					Y (2)	Y (2)	Y(2)	Y		A2.3-4,5
	Statement of Monetary Claims and Questioned Cost					Y (2)	Y (2)	Y(2)	Y		A2.3-6
	Notes to the Schedules					Y (2)	Y (2)	Y(2)	Y		A2.3-7
	Report on Compliance With Requirements Applicable to the School Nutrition Program and on Internal Control Over Compliance in Accordance With the Program-Specific Audit Option Under OMB Circular A-133								Y		A2.3-8-9
	Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the of the Statement of Claim Performed in Accordance With Government Auditing Standards								Y		A2.3-10-11
	Schedule of Findings, Questioned Costs and Recommendations								Y		A2.3-12-14
	Status of Prior Year Findings								Y		A2.3-15
	Management Letter								Y		A2.3-16
Child Nutrition Programs (continued):											
D.	Summer Food Service Program for Children										
	General Information								Y		A2.4-1
	Independent Accountant's Report								Y		A2.4-2
	Audited Statement of Claim								Y(6)		A2.4-3
	Independent Accountant's Report on Supplementary Information								Y		A2.4-4
	Schedule of Meals Served and Cost of Meal Service					Y(2)	Y(2)	Y(2)	Y(6)		A2.4-5
	Statement of Budgeted Administrative Expenses and Actual Administrative Expenses					Y(2)	Y(2)	Y(2)	Y(6)		A2.4-6
	Calculation of Maximum Allowable Administrative Costs					Y(2)	Y(2)	Y(2)	Y(6)		A2.4-7
	Schedule of State Disallowance Notices					Y(2)	Y(2)	Y(2)	Y(6)		A2.4-8
	Summary of Compliance with Federal Regulations and Program Guidelines								Y(6)		A2.4-9-12
	Sponsor Visit - Compliance Questionnaire								Y(6)		A2.4-13-15
	Site Visit - Compliance Questionnaire								Y(6)		A2.4-16-18
	Report on Compliance and on Internal Control Over Financial Reporting Based on an Examination of the Statement of Claim Performed in Accordance with Government Auditing and Attestation Standards								Y(6)		A2.4-19-20
	Independent Accountant's Report on Compliance With Requirements Applicable to the Federal Program and on Internal Control Over Compliance and Financial Reporting in Accordance With the Program-Specific Audit Option Under OMB Circular A-133 and Attestation Standards Made as a Part of a Program-Specific Examination of the Statement of Claim								Y(6)		A2.1.4-21-22
	Management Letter								Y(6)		A2.4-23
Adult Basic Education Programs:											
	General Information								Y		A2.5-1
	Independent Auditor's Report								Y		A2.5-2
	Audited Statement of Reimbursement Claim								Y		A2.5-3
	Independent Auditor's Report on Supplementary Information								Y		A2.5-4
	Final Reconciliation					Y(7)	Y(7)	Y(7)			A2.5-5
	Program Activity and Expenditure Report					Y(7)	Y(7)	Y(7)	Y		A2.5-6
	Statement of Budgeted Administrative Expenses and Actual Administrative Expenses					Y(7)	Y(7)	Y(7)	Y		A2.5-7
	Calculation of Maximum Allowable Administrative Costs					Y(7)	Y(7)	Y(7)	Y		A2.5-8

	Summary of Compliance with Federal Regulations and Program Guidelines								Y	A2.5-9,10,11,12
	Notes to the Schedules								Y	A2.5-13
	Report on Compliance With Requirements Applicable to the Adult Basic Education Program								Y	A2.5-14,15
	and on Internal Control Over Compliance in Accordance With the Program-Specific									
	Audit Option Under OMB Circular A-133									
	Status of Prior Year Findings								Y	A2.5-16
	Management Letter								Y	A2.5-17
Notes to the Supplementary Information						Y	Y	Y		A1-73-75
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit						Y	Y	Y		A1-50-51
of Financial Statements Performed in Accordance With Government Auditing Standards										
Report on Compliance With Requirements Applicable to Each Major Program and Internal						Y	Y		Y	A1-52-53
Control Over Compliance in Accordance With OMB Circular A-133										
Schedule of Findings and Questioned Costs						Y	Y	Y		A1-76 -79
Status of Prior Year Findings						Y	Y	Y		A1-80
Management letter						Y	Y	Y		A1-81
Data Collection Form						Y			Y	A1-82-84
<b>Other Reports:</b>										
Reconciliation of Single, CAFR, Annual Report, and For-Profit Audit to the Contractor and						Y (4)(5)	Y (4)(5)	Y (4)(5)	Y (3) (4)	<271, Sch.C>
and Program-Specific Audit										
Attestation Report for Budget-To-Actual Administrative Costs for Day Care Homes(Federal Fiscal Year)						Y(8)	Y(8)	Y(8)	Y(8)	<800>
Management Representation Letter for Agreed-Upon Procedures Engagement						Y(8)	Y(8)	Y(8)	Y(8)	G
<b>Notes:</b>										
(1) Required only for volunteer, Health and Welfare organizations										
(2) Required only when there are CACFP/SNP findings and/or supporting over and underpayments										
programs were selected for testing by the auditor.										
(4) Required only when the year end of the Single Audit for the entire organization differs from the state fiscal year ended June 30th										
(5) Exceptions are: very large organizations where the CDP funding is a very small part (less than 5%) of the organization's operation.										
Include two(2) copies of the organization's Single, Annual, CAFR, and For-Profit Audit.										
(6) In accordance with OIG's Audit Guide and AICPA's Attestation Standards ( <b>Appendix F</b> ).										
(7) In accordance with the Federal and ABE program compliance and reporting requirements.										
(8) Stand-Alone Engagement under separate cover.										

## EXAMPLE

XYZ Child Development, Inc.

Reconciliation of Single(S), CAFR, Annual Report(AR) and For-Profit(FP) Audit to Contractor Audit  
 Periods Ended February 28, 1999 and June 30, 1999

	S, CAFR, AR & FP AUDIT 2/28/99	ELIMINATION	3/1/99 THRU 6/30/99	CONTRACTOR AUDIT 6/30/99
<b>ASSETS:</b>				
Cash	\$ 22,160	\$ 5,487	\$ (\$26,207)	\$ 1,440
Accounts Receivable	1,148,166	(1,128,388)	41,833	61,611
Prepaid expenses	66,640	(66,640)	0	0
Current Assets	<u>1,236,966</u>	<u>(\$1,189,541)</u>	<u>15,626</u>	<u>63,051</u>
Fixed Assets net of \$476,053 of accumulated depreciation	<u>1,018,563</u>	<u>(1,018,563)</u>	<u>0</u>	<u>0</u>
Total assets	<u>\$ 2,255,529</u>	<u>\$ (2,208,104)</u>	<u>\$ 15,626</u>	<u>\$ 63,051</u>
<b>LIABILITIES AND NET ASSET BALANCE</b>				
Liabilities:				
Bank Overdraft	\$ 329,917	\$ (329,917)	\$ 0	\$ 0
Accounts Payable	335,971	(288,546)	15,626	63,051
Accrued Vacation	58,326	(58,326)	0	0
Accrued Salaries	99,094	(99,094)	0	0
Deferred Revenue	<u>84,554</u>	<u>(484,554)</u>	<u>0</u>	<u>0</u>
Current Liabilities	<u>1,307,862</u>	<u>(1,260,437)</u>	<u>15,626</u>	<u>63,051</u>
<b>NET ASSETS</b>				
Unrestricted Restricted	(93,056)	93,056	0	0
Temporarily Restricted	214,400	(214,400)	0	0
Restricted Fixed Assets	<u>826,323</u>	<u>(826,323)</u>	<u>0</u>	<u>0</u>
Total Net Assets	<u>947,667</u>	<u>(947,667)</u>	<u>0</u>	<u>0</u>
Total Liabilities and Net Assets	<u>\$ 2,255,529</u>	<u>\$ (2,208,104)</u>	<u>\$ 15,626</u>	<u>\$ 63,051</u>
<b>SUPPORT AND REVENUE</b>				
USDA	\$ 0	\$ 0	\$ 12,144	\$ 12,144
Federal Grants	4,327,330	(4,192,580)	144,541	279,291
State Grants	284,824	(86,818)	56,923	254,929
	<u>1,489,559</u>	<u>(1,475,860)</u>	<u>8,409</u>	<u>22,108</u>
Total Support and Revenue	<u>6,101,713</u>	<u>(5,755,258)</u>	<u>222,017</u>	<u>568,472</u>
Expenditures	<u>6,219,031</u>	<u>(5,872,576)</u>	<u>222,017</u>	<u>568,472</u>
Excess Support and Revenue over (under) expenditures	<u>\$ (117,318)</u>	<u>\$ 117,318</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* Eliminations are Head Start and other programs and are non-child care programs

**State-Funded Child Development Programs**

- ◆ California Education Code (1999), Section 8200 et seq.
- ◆ Child Development Division Policy Memoranda
- ◆ Funding Terms and Conditions (Contract funding terms and conditions) and Program Requirements for Child Development Programs
- ◆ California Code of Regulations, Title 2, Section 33421
- ◆ Title 5, Section 18000 et seq.
- ◆ California Code of Regulations, Title 22, Division 2
- ◆ California School Accounting Manual, 1997 Edition

**Adult Basic Education Programs**

- ◆ California Education Code (1999), Section 8500 et seq., Section 52500 et seq., and Section 78401
- ◆ California Code of Regulations, Title 5, Sections 404, 10508, and 10560
- ◆ General Assurances and Adult Education Program Assurances (Contract funding terms and conditions)

**Federal-funded Child Development, Nutrition, and Adult Basic Education Programs** (in addition to the resources listed above)

- ◆ Title 7, Code of Federal Regulations, Parts 210 to 299; Parts 3015 to 3019; and Part 3052
- ◆ Title 34, Code of Federal Regulations, Part 74 and Part 201
- ◆ Title 34, Code of Federal Regulations, Chapter 4 Part 461
- ◆ Adult Education Act, PL 100-297

**Audits**

- ◆ PL 104-156, Single Audit Act Amendments of 1996
- ◆ OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 1997 revision
- ◆ AICPA Audit and Accounting Guide *Not-For-Profit Organizations*, revised May 1, 1997.
- ◆ *Audit Guide No. 27029-2*, Food and Nutrition Service, for Audits of Child and Adult Care Food Program Institutions, USDA's Office of the Inspector General
- ◆ *Audit Guide No. IG-7027.8N*, Food and Nutrition Service, FNS-Summer Food Service Program for Children, USDA's Office of the Inspector General
- ◆ OMB Circular A-21, *Cost Principles for Educational Institutions*
- ◆ OMB Circular A-87, *Cost Principles for State and Local Governments*
- ◆ OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With States, Local Governments and Non-Profit Organizations*
- ◆ OMB Circular A-122, *Cost Principles for Non-Profit Organizations*

Note: This is not an all-inclusive list. The auditor is expected to be aware of pronouncements and statements, which affect the performance of audits and preparation of financial statements.

